

An organization whose only activity is providing a reference library of 'electric logs', maps, and information services used solely by its members in their oil exploration businesses is not exempt from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1954.

Advice has been requested whether an organization of scientists and engineers maintaining in the manner described below a cooperative library of data used in exploration for oil qualifies for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

A nonprofit organization was formed to establish and maintain a private library of 'electric logs', maps, oil publications, and oil information services, as well as other matters which are a source of geological data, for its members' use as an aid in their oil exploration businesses. The material for the library is furnished by the members. Membership in the organization is limited to a small group.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It also provides that the activities of the organization should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

The organization is making specialized information available to its members on a cooperative basis. This serves as a convenience and economy in the conduct of their businesses. Operation of the library as described is an activity which constitutes the performance of particular services for individual persons. Furthermore, since membership is limited and the facilities of the organization are made available only to participating members, the organization's activities are not aimed at the improvement of business conditions in the industry as a whole.

Accordingly, the organization does not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.